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DC BRANCH

**EMERGENCY
LOANS MADE
DIRECTLY
BY FmHA**

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Ag 84 Pro
Cap. 3



FARMERS HOME
ADMINISTRATION
Program Aid No.1211

A Rural Credit Agency of the
U.S. DEPARTMENT
OF AGRICULTURE

EMERGENCY LOANS MADE DIRECTLY BY FmHA

Emergency loans may be made in counties where property damage or severe production losses have occurred as a result of a natural disaster and the area has been named as eligible for assistance.

Presidential declarations will identify major disaster and emergency areas. The Secretary of Agriculture can make a Secretarial designation whenever a natural disaster has substantially affected farming, ranching, or aquaculture operations in an area. For Presidential declarations and designations by the Secretary, a formal request must be made by the State Governor, followed by an assessment of damage in each affected county.

In natural disaster situations involving no more than 25 farm, ranch, or aquaculture operators in any one county, emergency loans may be authorized by the State Director of the Farmers Home Administration at the request of the State Governor or a local governing body, including an Indian Tribal Council.

WHAT IS THE PROGRAM OBJECTIVE?

FmHA emergency loans are made to eligible farmers, ranchers, and aquaculture operators for directly related disaster losses, major adjustments, annual operating expenses, and other essential needs arising from natural disasters. These loans will help borrowers continue their operations and return to local sources of credit as soon as possible.



FOR WHAT PURPOSES ARE LOANS MADE?

Loans may be made to applicants to cover actual losses and expenses for damaged or destroyed farm property and production. Such loans may be used to repair, restore, or replace damaged or destroyed farm property and supplies; for expenses incurred for crop production; and to pay farm debts owed to other creditors.

A borrower eligible for an emergency loan for actual losses also may be eligible for a loan at the prevailing market interest rates to construct or improve buildings (including a home) and other essential facilities. Such loans may also be made to purchase livestock, poultry, or other animals and to pay costs incident to reorganizing the farming system which will make it a sound operation, equivalent in net return to the operation conducted prior to the disaster. These funds may be used to buy essential home equipment and furnishings and to refinance debts under certain conditions.

Subsequent emergency loans for operating purposes may be made at prevailing interest rates for each successive year up to 5 years after the initial loss loan. The borrower could then recover sufficiently from his losses and return to usual credit sources.

WHERE ARE APPLICATIONS FOR LOANS RECEIVED?

At FmHA county offices. They may be located in the telephone directory under

U.S. Department of Agriculture, Farmers Home Administration, or write directly to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250, giving the name of your county.

WHO IS ELIGIBLE?

In addition to having suffered property damage or severe crop losses from a natural disaster, to be eligible for a loan an applicant must be:

- 1 . Unable to obtain the necessary credit from other sources.
- 2 . A citizen of the United States.
- 3 . An established farm, ranch, or aquaculture operator, either tenant or owner-operator, who manages the operations.
- 4 . Of good character and have displayed the industry, ability, and experience to carry out the proposed farming operation.

All applications will be considered without regard to age, race, color, creed, sex, marital status, or national origin.

WHO DETERMINES ELIGIBILITY?

The Farmers Home Administration's local county committee composed of three citizens who are familiar with farming in the area.

WHAT ARE THE TERMS OF THESE LOANS?

Each emergency loan is scheduled for repayment as rapidly as is feasible, in annual installments, consistent with the applicant's reasonable ability to pay. Re-

payment varies according to the purpose of the loan. Loans for:

- 1 . Actual losses to crops, livestock, supplies, and equipment may be scheduled for repayment in terms up to 7 years. These loans may be renewed for up to 5 additional years. Under special conditions a longer repayment period may be authorized, but not to exceed 20 years. Generally, real estate will be needed as security when the period for repayment exceeds 7 years.
- 2 . Real estate purposes may be scheduled for repayment up to 40 years.
- 3 . Annual operating expenses will be scheduled for repayment each year when the principal income from the year's operations is received.

All emergency loan borrowers will be reviewed for "graduation" to other credit 5 years after the loan is made for crop and chattel loans, and 10 years for real estate loans after they are made, and every other year thereafter. Borrowers are required to refinance if other credit is available even though their emergency loans have not fully matured.

WHAT ABOUT INTEREST RATES?

The interest rate on most emergency loans, based on actual losses caused by disasters occurring on or after July 1, 1976, is 3 percent for the first \$250,000 of loss and 5 percent for any amount in excess of \$250,000. On loans to cover losses on

primary farm residences and related personal property, the interest rate is 1 percent for the first \$10,000 of loss, 3 percent on the next \$30,000, and 5 percent on any amount over \$40,000. The rate on loans for actual losses occurring before July 1, 1976, and on or after October 1, 1978, will be 5 percent.

Interest rates for other farm real estate purposes and for operating purposes will be those prevailing in the private market for comparable long term and intermediate credit, based on a determination by the Secretary of Agriculture, who will establish the rates periodically.

WHAT ARE SECURITY REQUIREMENTS?

Liens will be taken on collateral such as crops, livestock, farm machinery, and/or farm real estate to secure the amount of the loan. If the usual security cannot be provided because of the disaster, loans in some instances can be made on the collateral that is available, even if part of it has been depreciated because of the disaster.

In such cases, the applicant's repayment ability will be of primary concern.

IS THERE A TERMINATION DATE FOR FILING?

Yes. Applications for physical losses must be filed within 180 days of the date of emergency designation; and for production losses, applications must be filed within 12 months of the date the designation is made.